<u>REMARKS</u>

I.   <u>Introduction</u>

In response to the Office Action dated July 9, 2008, claims 2, 22 and 42 have been canceled, and claims 1, 18, 21, 38, 41 and 58 have been amended. Claims 1, 3-21, 23-41 and 43-60 remain in the application. Re-examination and re-consideration of the application, as amended, is requested.

II.   <u>Statutory Double Patenting Rejections</u>

In sections (2)-(3) of the Office Action, claims 1-9, 11-16, 20-29, 31-36, 40-49, 51-56 and 60 are provisionally rejected under 35 U.S.C. §101 as claiming the same invention as that of claims 1-9, 11 -27, 29-45 and 47-54 of co-pending Application No. 10/644,169.

According to the Office Action, this is a provisional double patenting rejection since the conflicting claims have not in fact been patented. The Examiner notes that the claims differ only by referring to applying forecast vs. attrition rules. The Examiner states that attrition relates to the way in which a cash flow will be decreased over time which to one skilled in the art at the time of invention could be either positive or negative change, another way to refer to a forecast.

Applicant's attorney has made amendments to the claims as indicated above to overcome these rejections.

III.   <u>Non-Art Rejections</u>

In section (4) of the Office Action, claims 2, 18, 22, 38, 42 and 58 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention.

The Office Action notes that claims 2, 22 and 42 recite the limitation "performing the FV calculations" in line 1, and asserts that there is insufficient antecedent basis for this limitation in the claim. The Examiner stated that she will interpret this claim under the current situations to mean "performing the NPV calculations" for the purposes of applying prior art.

The Office Action notes that claims 18, 38 and 58 recites the limitation "$Amount_i = Amount * ...$", and asserts that it is unclear which "Amount" the equation is referring to. The Examiner stated that she will interpret this claim under the current situations to mean "$Amount_0$" for the purposes of applying prior art.

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Applicant's attorney has made amendments to the claims as indicated above to overcome these rejections.

IV.   Prior Art Rejections

In section (5) of the Office Action, claims 1, 3-5, 7, 21-23, 27, 41-43, and 47 were rejected under 35 U.S.C. §102(b) as being anticipated by Johnson et al., U.S. Patent No. 7,082,411 (Johnson). In section (6) of the Office Action, claims 2, 10, 22, 30, 42, and 50 were rejected under 35 U.S.C. §103(a) as being unpatentable over Johnson in view of Sandretto, U.S. Patent No. 5,812,988 (Sandretto). In section (7) of the Office Action, claims 6, 26, and 46 were rejected under 35 U.S.C. §103(a) as being unpatentable over Johnson in view of Atkins, U.S. Patent No. 5,852,811 (Atkins). In section (8) of the Office Action, claims 8-9, 11-16, 20, 28-29, 31-36, 40, 48-49, 51-56, and 60 were rejected under 35 U.S.C. §103(a) as being unpatentable over Johnson in view of Fundamentals of Financial Management by Kuhlemeyer (Kuhlemeyer).

However, in sections (9)-(10) of the Office Action, claims 17-19, 37-39, and 57-59 were indicated as being allowable if rewritten in independent form to include the base claim and any intervening claims, and if rewritten to overcome the rejections under 35 U.S.C. §112, second paragraph, set forth above.

Applicant's attorney acknowledges the indication of allowable claims, but respectfully traverses the rejections. Specifically, Applicant's attorney submits that the combination of Johnson and Sandretto does not teach or suggest all of the various elements of Applicant's amended independent claims.

Nonetheless, the Office Action asserts the following:

> 5. Claims 1, 3-5, 7, 21-23, 27, 41-43 and 47 are rejected under 35 U.S.C. 102(b) as being anticipated by US Patent Number 7,082,411 to Johnson et al (hereinafter Johnson).
> As per claims 1,21 and 41
> Johnson discloses selecting accounts, amounts and rates (asset data and discount factor) from account data stored in a database using selection criteria specified by one or more rules (column 4, lines 10-19) and performing one or more Net Present Value (NPV) calculations on the selected accounts by applying one or more NPV forecast rules (discount factor) to the selected accounts using the selected amounts and rates, wherein the NPV calculations determine a present value of an expected profitability value (score) of current products (column 9, lines 3-26).

Examiner notes that Johnson teaches a discount factor. One skilled in the art at the time the invention was made would understand that a discount factor is a rate used for forecasting either by increasing or decreasing future cash flows to obtain a net present value (NPV). Examiner also notes that the act of "retrieving data" based on "given criteria" is in it of itself selection criteria. The rules by which this data is retrieved can be anything such as a rule to only access the required information instead of always retrieving everything and anything possible in the database. Examiner asserts that there must be some set of rules/guidelines to select information, otherwise the correct/required information wouldn't be accessed. Also, Johnson teaches a discount factor (column 9, lines 3-26), which would have inherently needed to be accessed from a database to use in the determination of NPV. One skilled in the art at the time of the invention was made would understand that a discount factor is a rate used to discount or decrease future cash flows to obtain a net present value.

The Office Action also asserts the following:

> Claims 2, 10, 22, 30, 42 and 50 are rejected under 35 U.S.C. 103(a) as being unpatentable over US Patent Number 7,082,411 to Johnson et al (hereinafter Johnson) in view of US Patent Number 5,812,988 to Sandretto (hereinafter Sandretto).
> As per claims 2, 22 and 42
> Johnson does not specifically teach applying NPV forecast rules to the selected accounts and applying the NPV attrition rules to results of the forecast rules.
> Sandretto teaches applying NPV forecast rules to the selected accounts and applying the NPV attrition rules to results of the forecast rules (column 8, line 60 - column 9, line 9).
> Therefore it would have been obvious to one skilled in the art at the time the invention was made to apply NPV forecast rules to the selected accounts and applying the NPV attrition rules to results of the forecast rules as taught by Sandretto to account for both the increases and decreases of value needed to more accurately estimate future value.

Applicant's attorney respectfully disagrees with this analysis. As noted above, Applicant's independent claims 1, 21 and 41 have been amended to incorporate the elements of dependent claims 2, 22 and 42, respectively. As amended, Applicant's independent claims 1, 21 and 41 are patentable over the references.

Consider, for example, the portions of the Johnson and Sandretto references cited by the Office Action, which are set forth below:

<u>Johnson: column 4, lines 10-19</u>
Individual asset data (not shown) for each asset in portfolio 12 is entered into a database 76 from which selected data 78 is retrieved based on a given criteria 80 for the iterative and adaptive process 32. When criteria 80 is established for valuation of any asset, that established criteria 80 is stored in database 76 for use in valuating other asset data in database 76 which shares such an established criteria. Iterative and adaptive valuation process 32 thus develops 82 valuations (described below) and groups 84 them for use in bidding.

<u>Johnson: column 9, lines 3-26</u>
In general, NPV is defined as:

$$NPV = c_0 + \frac{c_1}{1+r}$$

where C.sub.0 is the investment at time 0, C.sub.1 is the expected payoff at time 1, and r is the discount factor. The basic idea is that a dollar today is worth more than a dollar tomorrow.
In the case of insurance policies, NPV is defined as:

$$NPV = \sum P - \sum E - (\sum C) \times \frac{A}{E_W}$$

where P is the premium, E is the expected nominal cost, and C is the claim cost. In essence, Equation B is how net income as the difference of profit and weighted expected risk is generated. Note that the summation is summing across all the policies in a specific segment. Also note that all the premium, nominal cost, and claim cost have been discounted before entering the equation. As a result, a profitability score is generated.

<u>Sandretto: column 8, line 60 – column 9, line 19</u>
It is another object of the present invention to provide a method and apparatus for creating a portfolio by: (1) estimating an initial set of cash flows for each asset in a set of two or more assets using known or conventional methods; (2) generate additional estimated cash flows based upon different estimates for one or more economic variables; (3) adjust the original set of cash flows and each additional set of cash flows for expected inflation; (4) determine an initial input risk measure for each asset based on a risk-return type asset pricing model; (5) determine an initial discount rate for each asset using the initial input risk measure for each asset and using different economic variables that relate to each set of cash flows (for example, the risk-free rate and the market risk premium which are typically different for each set of cash flows); (6) discount the inflation-adjusted cash flows at the discount rate to determine a present value for each set of cash flows; (7) use the present values to determine simulated returns for each asset; (8) use the simulated returns for each asset to determine at least one simulated market index return; (9) regress simulated asset returns against simulated market returns or else use division to determine an output risk measure for each asset; (10) use the resulting output risk measure for each asset to estimate a new input risk measure and; (11) repeats steps 1 through 10 (or 4 through 10 in some implementations) in an iterative process until, for each asset, the output risk

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measure approximates to within desired accuracy the input risk measure used to determine the most recently iterated discount rate.

Johnson merely describes a method of valuation of large groups of assets by partial full underwriting, partial sample underwriting and inferred values of the remainder using an iterative and adaptive statistical evaluation of all assets and statistical inferences drawn from the evaluation and applied to generate inferred values. Individual asset values are developed and listed in tables so that individual asset values can be taken and quickly grouped in any desired or prescribed manner for bidding purposes. The assets are collected into a database, divided by credit variable, subdivided by ratings as to those variables and then rated individually. The assets are then regrouped according to a bidding grouping and a collective valuation established by cumulating the individual valuations.

The above portions of Johnson cited by the Office Action merely refer to establishing valuations of assets using a general definition of NPV (Net Present Value). However, as admitted by the Office Action, nowhere do the above portions of Johnson refer to applying the NPV forecast rules to the selected accounts and applying NPV attrition rules to results of the NPV forecast rules.

Nonetheless, the Office Action cites Sandretto as teaching these elements of Applicant's claims. However, at the indicated locations, Sandretto merely describes creating a portfolio by: (1) estimating an initial set of cash flows for each asset in a set of two or more assets using known or conventional methods; (2) generating additional estimated cash flows based upon different estimates for one or more economic variables; (3) adjusting the original set of cash flows and each additional set of cash flows for expected inflation; (4) determining an initial input risk measure for each asset based on a risk-return type asset pricing model; (5) determining an initial discount rate for each asset using the initial input risk measure for each asset and using different economic variables that relate to each set of cash flows (for example, the risk-free rate and the market risk premium which are typically different for each set of cash flows); (6) discounting the inflation-adjusted cash flows at the discount rate to determine a present value for each set of cash flows; (7) using the present values to determine simulated returns for each asset; (8) using the simulated returns for each asset to determine at least one simulated market index return; (9) regressing simulated asset returns against simulated market returns or else use division to determine an output risk measure for each asset; (10) using the resulting output risk

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measure for each asset to estimate a new input risk measure and; (11) repeating steps 1 through 10 (or 4 through 10) in an iterative process until, for each asset, the output risk measure approximates to within desired accuracy the input risk measure used to determine the most recently iterated discount rate.

Specifically, the above portions of Sandretto cited by the Office Action refer to determining present values for the cash flows of assets, in the context of a method for estimating an asset's risk and net present value. However, Sandretto does not determine these values in the manner recited in Applicant's independent claims. Indeed, the portions of Sandretto cited against Applicant's dependent claims 2, 22 and 41, now incorporated into Applicant's independent claims 1, 21 and 41, do not teach or suggest the specific steps or functions performed by Applicant's claims, namely that the NPV calculations include performing NPV forecast calculations by applying the NPV forecast rules to the selected accounts using the selected amounts and rates, performing NPV attrition calculations by applying the NPV attrition rules to results of the NPV forecast calculations, and determining the net present value of the selected accounts from results of the NPV attrition calculations. Instead, Sandretto merely refers to estimating discount rates by calculating risk measures, which are used to discount projected cash flows.

The remaining references, namely Atkins and Kuhlemeyer, fail to overcome these deficiencies of Johnson and Sandretto. Recall that these references were cited only against dependent claims 6, 26, and 46 (Atkins) and dependent claims 8-9, 11-16, 20, 28-29, 31-36, 40, 48-49, 51-56, and 60 (Kuhlemeyer), and were cited only for containing limitations shown in those dependent claims.

Consequently, the various elements of Applicant's claimed invention together provide operational advantages over Johnson, Sandretto, Atkins, and Kuhlemeyer. In addition, Applicant's invention solves problems not recognized by Johnson, Sandretto, Atkins, and Kuhlemeyer.

Thus, Applicant's attorney submits that independent claims 1, 21, and 41 are allowable over Johnson, Sandretto, Atkins, and Kuhlemeyer. Further, dependent claims 3-20, 23-40 and 43-60 are submitted to be allowable over Johnson, Sandretto, Atkins, and Kuhlemeyer in the same manner, because they are dependent on independent claims 1, 21, and 41, respectively, and thus contain all the limitations of the independent claims. In addition, dependent claims 3-20,

23-40 and 43-60 recite additional novel elements not shown by Johnson, Sandretto, Atkins, and Kuhlemeyer.

V.   Conclusion

In view of the above, it is submitted that this application is now in good order for allowance and such allowance is respectfully solicited. Should the Examiner believe minor matters still remain that can be resolved in a telephone interview, the Examiner is urged to call Applicant's undersigned attorney.

Respectfully submitted,

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